CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 26, 1999

H.R. 208

To amend title 5, United States Code, to allow for the contribution of certain rollover distributions to accounts in the Thrift Savings Plan, to eliminate certain waiting-period requirements for participating in the Thrift Savings Plan, and for other purposes.

As ordered reported by the House Committee on Government Reform on March 17, 1999

SUMMARY

H.R. 208 would make two changes to the Thrift Savings Plan (TSP), the defined contribution component of the federal government's major civilian retirement programs. The bill would let newly hired federal employees make contributions to the TSP sooner than allowed under current law and let federal employees transfer balances from other tax-deferred savings plans to their TSP accounts. The bill would also raise the amount that federal agencies contribute to the Civil Service trust fund for employees covered by the Federal Employees' Retirement System (FERS) by 1/100 of a percentage point. All changes would become effective on October 1, 2000.

CBO estimates that H.R. 208 would increase discretionary spending by $35 million over the 2000-2004 period because of higher agency contributions to the Civil Service Retirement Trust Fund. The bill would have no net impact on direct spending and revenues over the same period. The receipt of the additional retirement contributions would lower direct spending by $35 million, and the bill's TSP-related provisions would decrease revenues by $35 million over the 2000-2004 period. Because this bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

H.R. 208 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not have a significant effect on the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 208 is shown in the following table.

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
SPENDING SUBJECT TO APPROPRIATION					
Agency retirement contributions	0	8	8	9	10
CHANGES IN DIRECT SPENDING					
Agency retirement contributions	0	- 8	- 8	- 9	- 10
CHANGES IN REVENUES					
Estimated revenues	0	- 8	- 9	- 9	- 9
TOTAL COST OF H.R. 208					
Direct spending and revenues	0	0	1	0	- 1
All spending and revenues	0	8	9	9	9

Note: The Joint Committee on Taxation prepared the estimates of the changes in revenues.

The costs of this legislation fall within budget function 950 (Undistributed Offsetting Receipts).

BASIS OF ESTIMATE

Raise Agency Retirement Contributions Under FERS

Under FERS, total employee and agency retirement contributions equal the normal cost of providing retirement benefits. The current normal cost for most FERS employees is 11.5 percent of basic pay. Employees typically contribute 0.8 percent of their basic pay, and agencies pay the remaining 10.7 percent. H.R. 208 would add 1/100 of a percentage point to the amount that agencies contribute. For most FERS employees, agency contributions would rise to 10.71 percent of basic pay.

This provision would increase agency retirement contributions under FERS by $35 million over the 2000-2004 period. This increase in agency contributions would be reflected in the budget both as additional agency outlays and as an increase in offsetting receipts to the Civil Service Retirement Trust Fund.

Allow New Hires to Participate in TSP Sooner

Newly hired federal employees must now wait two open seasons (6 to 12 months) before they can begin making contributions to the TSP. H.R. 208 would allow new hires to begin making TSP contributions immediately, although government contributions would still not begin until the second open season.

The Joint Committee on Taxation (JCT) estimates that the federal government would forgo tax revenues of about $35 million over the 2000-2004 period as a result of this provision. Based on recent experience, JCT assumed that between 90,000 and 95,000 eligible new employees would be hired each year, and that most of these new hires would participate in the TSP. Under the bill, employees would contribute more money to their TSP accounts than under current law. This increase in contributions would decrease federal income tax revenues because TSP contributions are not taxed until withdrawn from the plan.

Allow Rollovers from Other Tax-Deferred Savings Plans

H.R. 208 would allow employees to transfer funds from certain tax-deferred savings plans, such as a 401(k) plan from a previous job, to their TSP accounts. JCT estimates that this provision would not have a significant budgetary impact.

PAY-AS-YOU-GO CONSIDERATIONS

The provisions of H.R. 208 would affect direct spending and revenues and therefore be subject to pay-as-you-go procedures. The pay-as-you-go effects of the bill are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	0	0	- 8	- 8	- 9	- 10	- 10	- 11	- 12	- 13	- 13
Changes in receipts	0	0	- 8	- 9	- 9	- 9	- 9	- 10	- 10	- 10	- 11

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 208 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not have a significant effect on the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Eric Rollins
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: John Harris

ESTIMATE APPROVED BY:

Paul N. Van de Water
Assistant Director for Budget Analysis